


Utah Governor's Office *of* Economic Development

Exporting Basics: Module 2

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"Developing a Marketing Plan and Distributing your Product"




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Developing a Marketing Plan

1. **Needs to be written:**

   - Good internal communications: allocates responsibilities; provides evaluation for results; needed for financial assistance, etc.
   - Gives management a clear understanding of what is required of the company and memorializes the commitment to exporting.
   - Takes time to write a good marketing plan: takes months, maybe years to see ROI.

2. **Conduct market research:**

   - Solid up-to-date market research: countries that are buying products similar to your; size of market; competitors; foreign standards required for your products (e.g. CE mark); labeling and packaging modifications; pricing strategies; optimal distribution channels; duties, taxes other costs and restrictions; additional testing or certification requirements (e.g. ANVISA for nutraceuticals in Brazil).
   - Your firm could begin to export without conducting any market research: review current customer list: you may already have international customers, especially if your are conducting e-commerce. Good barometer for marketing plan.

Developing a Marketing Plan

3. **Conducting primary market research:**
   - Interviews
   - Surveys
   - Direct contact with buyers
   - Tailored to your specific product
   - Expensive and time consuming
   - U.S. Commercial Service can collect primary data for your company for a fee (avg.) of several hundred dollars for each market analyzed

4. **Conducting secondary market research:**
   - Collects data from various sources, e.g. trade statistics
   - Less expensive but recent statistics may be outdated or too broad to be of value for your company,
   - Keep abreast of world events that influence international marketplace
   - Analyze trade and economic statistics
   - Demographic and general economic statistics, such as populations size and makeup, per capita income, and production levels by industry can be important indicators of market potential

5. **Obtain advice from experts:**
   - U.S. Department of Commerce and other government agencies (e.g. ITDO)
   - Hire international trade and marketing consultants
   - Talk with successful exporters of similar products (members of District Export Council in your local area)
   - Contract trade and industry associations.

Elements of Market Research

Step 1: Obtain export statistics.

1. http://www.census.gov/foreign-trade/index.html
2. http://tse.export.gov/

Step 2: Identify potential markets.

1. 5-10 large and fast growing markets for your widget (look for growth patterns)
2. 4 fast-emerging, smaller markets (first to market still counts)
3. Identify groupings (e.g. FTAs)

Step 3: Target most promising markets.

1. Consult your local World Trade Center
2. U.S. Commercial Service Export Assistance Center
3. GOED

Elements of Market Research

Step 4: Assess target markets.

a) Product trends

  a) Use related products that could influence demand
  b) Calculate overall consumption of product & amount accounted for by imports
  c) Use market research by U.S. Commercial Service
  d) Demographics by U.S. Census Bureau and United Nations Statistics Division

b) Research your competition

  a) Domestic industry in targeted market and competitors from foreign markets
  b) Look for competitor's market share in US as well

c) Marketing Factors

  a) analyze cultural idiosyncrasies (classic Chevy Nova example)
  b) channels of distribution
  c) business practices

d) Identify potential barriers: may be tariffs or non-tariff in foreign countries. Consider U.S. Export Controls for your product (U.S. Bureau of Industry & Security http://www.bis.doc.gov/complianceandenforcement/index.htm

e) Identify Incentives: governments sometimes provide incentives to promote exporting.

Methods and Channels

<u>Most common methods of exporting:</u>

1. **Indirect selling → use an export intermediary (EMC or ETC). Assumes responsibility for finding overseas buyers, shipping products and getting paid. Reduced risk.**

- **See http://www.fita.org/aotm/0499.html**

1. **Direct selling → sell directly to buyer.**

2. **Considerations:**
   - **Size of your business**
   - **Tolerance for risk**
   - **Resources available to develop the market**
   - **Nature of your product and services**
   - **Previous export experience**
   - **Business climate in targeted market**

Methods and Channels

Four Approaches to Exporting:

1. Passively filling orders from domestic buyers, who then export the product.
2. Seeking out domestic buyers who represent foreign end users or customers.
3. Exporting indirectly through intermediaries.
4. Exporting directly

INDIRECT EXPORTING

use intermediaries providing range of export services.

1. **Confirming Houses**: aka buying agents → represent foreign firms that want to purchase your product. Look through foreign government embassies and embassy web sites or through the U.S. Commercial Service.

Methods and Channels

2. **Export Management Companies (EMC):**
   - acts as export department
   - paid by commission, salary or retainer plus commission
   - Specialize by product, by foreign market or both
   - Pro: established network of foreign distributors
   - Con: you may loose control over foreign sales (mitigate risk by requesting regular reports, etc.)
3. **Export Trading Companies (ETC):**
   - similar to EMC but is more market-orientated and transactions driven.
   - acts as an independent distributor creating transactions by linking domestic producers and foreign buyers.
   - determines what U.S. products are desired in a given market and then work with U.S. producers to satisfy demand.
   - can perform a sourcing function searching for U.S. supplies to fill specific foreign requests for U.S. products.
   - take title to the goods involved, but some will work on a commission basis.
   - See http://ita.doc.gov/td/oetca/ or google ETC.

Methods and Channels

4. **<u>Export agents, merchants or remarketers</u>**:
   - purchase producst directly from manufacturer
   - package and label to their own specs
   - sell product internationally as their own and assume all risk. Manufacturer looses control over marketing and promotion of widget
   - Possible adverse effect on future sales internationally if product is underpriced or incorrectly positioned in the market or after sales service is neglected.
   - Pros: effort by manufacturer is minimal and may lead to sales that it otherwise would not have had.

5. **<u>Piggyback marketing</u>**:
   - one manufacturer or service provider distributes a second firm's services or product
   - Most common scenario: US company has a contract with an overseas buyer to provide a wide range of products & services
   - Successful arrangements usually require that the product lines be complementary and appeal to the same customers.

Methods and Channels

DIRECT EXPORTING

– Pros: more control over the export process, potentially higher profits, closer relationship to overseas buyer and markets, better understanding of opportunities to boost overall competitiveness.
– Cons: more time, personnel and resources.

1. **Getting organized for exporting**:

   • Export sales no different than international sales
   • Using existing infrastructure
   • As sales grow, your company may separate functions
   • There may be a need for specialized skills and marketing efforts to increase export sales
   • The key is to facilitate the marketer's job and to achieve an efficient distribution channel.

Methods and Channels

2. **Sales representatives:**
   - Overseas sales representative are the equivalent of a manufacturer's rep in the US.
   - A rep usually handles complementary lines that do not conflict
   - Works for a commission
   - Assumes no risk or responsibility
   - Under contract for a definite period of time, usually on a non-exclusive basis
   - Contract should define:

     1. Territory
     2. Terms of sale
     3. Method of compensation
     4. Reasons and procedures for the termination of agreement
     5. Define whether a sales representative can legally obligate your firm.

Methods and Channels

3. **Agents:**
   - the legal definition is a representative with authority (perhaps power of attorney) to make commitments on behalf of your company.
   - The term is no longer used in most developed countries because it implies a binding legal relationship which obligates your company.

4. **Distributors:**
   - Merchant who purchases goods from US exporter (often discounted)
   - Sells for a profit
   - Provides support & service for the product.
   - Sometimes carries an inventory; spare parts,
   - Maintains adequate facilities & personnel for servicing operations
   - Sells to retailers or dealers
   - Use a contract with short trial - basis and extend terms if its working.

5. **Foreign Retailers:**
   - Products sold are generally ltd. to consumer lines
   - This approach relies on traveling sales representatives who directly contact foreign retailers.

Methods and Channels

5. **Direct mailing:**
   - Direct mailing of catalogs, brochures, or other literature
   - Benefit of eliminating commissions, reducing travel expenses and reaching a broader audiences
   - Effort should be supported with other marketing activities. See Direct Marketing Association www.the-dma.org

6. **Direct Sales to End Users:**
   - Challenge: identify buyers such as foreign institutions, businesses
   - Trade shows, international publications, U.S. Commercial Service, state trade representatives, Web sites, etc.
   - Responsible for shipping, payment collection, product servicing, etc. These costs need to be built into your export price

Evaluating Foreign Sales Representatives

Due Diligence:

Once your company has identified potential representatives or distributors in selected markets and they have expressed an interest in representing your product(s), you should perform basic due:

1. Request a **corporate profile** (company) and statement of capabilities or, in the case of an individual, a resume and current status and history.
2. Methods of introducing new products into the sales territory.
3. Trade and bank references
4. If your firm has special requirements, then request data to support the distributor's calim that they can properly represent your company's interests.
5. An assessment of the in-country market vis-à-vis your product(s).

Evaluating Foreign Sales Representatives

Key factors to consider:

1. **Size of Sales Force**
   - Relevant factor if the expectation is to have large sales into a foreign market
   - Consider whether there are short – and long – term expansion plans, if any?
   - Can the representative company accommodate your account without adding personnel?

2. **Sales record**
   - Ask for sales growth numbers in 5 year patterns
   - Is growth consistent? If not, why not?
   - Ask for average sales volume per salesperson.
   - Would they be able to achieve your sales' objectives.

3. **Territory Analysis**
   - What territory does the representative company claim to cover?
   - Beware of companies that claim to cover an entire country
   - Do they have branch offices?
   - Are they located in your target markets for the selected country?

Evaluating Foreign Sales Representatives

4. **Product Mix**
   - How many products does the representative company manage?
   - Are they complementary to your product line?
   - Do they represent US companies? Any conflicts of interest?
   - Is there a minimum sales volume that the distributor needs to justify handling your product line? Is the projection realistic?
5. **Facilities and Equipment**
   - Warehouse facilities & stock control
   - Technology & compatibility
   - Capability to service your product
   - Willingness to ramp up training and service, inventory

6. **Marketing policies**
   - Salesperson compensation
   - Incentives programs
   - Product managers: coordinated sales efforts for specific product lines
   - Sales performance matrix and reports
   - In-house training
   - Do personnel attend factory-sponsored seminars?

Evaluating Foreign Sales Representatives

7. **Customer Profile**
   – Kind of customer
   – Interest in your product line
   – % gross receipts represented by key accounts
8. **Principals presented**
   – # of principals distributor currently representing
   – Would your company be its primary supplier?
   – What percentage of total business would your products represent? How does this percentage compare to other suppliers?
9. **Negotiating an Agreement with a Foreign Representative**
   – Product pricing structure and profit potential
   – Terms of payment
   – Product regulation
   – Support provided by your firm: sales aids, promotional material & advertising, training for sales & service staff; your company's ability to deliver on schedule
   – Confidentiality
   – Doing business with your competitors
   – Hire an attorney

Topics to be discussed in seminars

1. **Seminar #3: March 24**
- Finding Qualified Buyers
- Using Technology Licensing and Joint Venture
2. **Seminar #4: April 21**
- Operational Considerations for exporting your product.
- Exporting Services
3. **Seminar #5: May 19**
- International Legal Considerations
- E-tools for SMEs

International Trade & Diplomacy Office

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